



# PROSPECTUS

VELPIC LIMITED

ACN 149 197 651

**For:**

- a renounceable pro rata offer to Eligible Shareholders of 2 New Shares for every 5 Existing Shares at an issue price of \$0.03 per New Share with 1 free attaching New Option (exercisable at \$0.06 on or before 30 June 2018) for every 2 New Shares issued to raise up to \$5.85 million before issue costs (Offer); and
- an offer of Shortfall Securities on terms set out in section 8.8 (Shortfall Offer).

The Offer is partially underwritten by CPS Capital Group. See section 8.5 for details.

**ASX Code: VPC**

This Prospectus provides important information about the Company. You should read the entire document including the Entitlement and Acceptance Form. If you have any questions about the New Shares being offered under this Prospectus, or any other matter relating to an investment in the Company, you should consult your professional adviser. An investment in the New Shares offered under this Prospectus is highly speculative.

## **Important Notice**

This Prospectus is dated 7 June 2016 and was lodged with ASIC on that date. Application has been made to ASX for quotation of the New Shares offered under this Prospectus.

Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

## **Nature of this Prospectus**

The New Shares offered under this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the 3 months prior to the date of the prospectus. In general terms 'transaction specific prospectuses' are only required to contain information in relation to the effect of the offer on the company and the rights attaching to the securities offered. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus contains information only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in it. It does not include all of the information that would be included in a prospectus for an initial public offer.

## **Prospectus availability**

Eligible Shareholders can obtain a copy of this Prospectus at any time prior to the Closing Date on the Company's website at [www.velpiclimited.com](http://www.velpiclimited.com) or by contacting the Company. If you access an electronic copy of this Prospectus, you should ensure that you download and read the entire Prospectus.

The electronic copy of this Prospectus available from the Company's website will not include a personalised Entitlement and Acceptance Form. Eligible Shareholders and others will only be able to accept the Offer, or apply under the Shortfall Offer (as the case may be), by completing the personalised Entitlement and Acceptance Form which accompanies this Prospectus or by making payment using BPAY® (refer to section 7.8 of this Prospectus for further information).

## **Foreign jurisdictions**

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are residents in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

## **Disclaimer of representations**

No person is authorised to provide any information or make any representation in connection with the Offer which is not contained in this Prospectus.

## **Forward looking statements**

This Prospectus contains forward looking statements that, despite being based on the Company's current expectations about future events, are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and the Directors. These known and unknown risks, uncertainties and assumptions, could cause actual results, performance or achievements to materially differ from future results, performance or achievements expressed or implied by forward-looking statements in this Prospectus. These risks, uncertainties and assumptions include, but are not limited to, the risks outlined in section 6 of this Prospectus. Forward-looking statements include those containing such words as 'anticipate', 'estimate', 'believe', 'should', 'will', 'may' and similar expressions.

## **Privacy**

Please read the privacy information located in section 8.18 of this Prospectus. By submitting an Entitlement and Acceptance Form, you consent to the matters outlined in that section.

## **Definitions**

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in section 12.

## **Enquiries**

If you have any questions please call the Company Secretary on +61 8 6555 2950 at any time between 9:00am and 5:00pm (AWST) Monday to Friday until the Closing Date. Alternatively, consult your broker, accountant or other professional adviser.

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## Corporate Directory

### Directors

Leanne Graham (Non-Executive Chairperson)  
Russell Francis (CEO and Executive Director)  
Patrick Connell (Executive Director)  
Glen Moora (Executive Director)  
Harry Karelis (Non-Executive Director)  
Daniel Rohr (Non-Executive Director)

### Company Secretary

Piers Lewis

### Registered Office

243 Hay Street  
Subiaco WA 6008

Telephone: 1800 463 828  
Email: info@velpic.com

### Lead Manager and Underwriter

CPS Capital Group Pty Ltd  
Level 45  
108 St Georges Terrace  
Perth WA 6000

### Share Registry\*

Link Market Services Limited  
Level 1, 333 Collins Street  
Melbourne VIC 3000

Telephone: 1300 554 474  
Facsimile: (02) 9287 0303

### Solicitors to the Offer

Kings Park Corporate Lawyers  
Level 2, 45 Richardson Street  
West Perth WA 6005

### Auditor\*

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### Website

www.velpiclimited.com

\*This party is named for informational purposes only and was not involved in the preparation of this Prospectus.

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## 1 TIMETABLE TO THE OFFER

Lodgement of the Prospectus with ASIC and ASX	7 June 2016
Ex-date	10 June 2016
Rights trading commences	10 June 2016
Record date to determine Entitlement ( <b>Record Date</b> )	14 June 2016
Rights trading ends	17 June 2016
Closing date for acceptances ( <b>Closing Date</b> )	24 June 2016
Issue of New Shares	30 June 2016
Normal trading of New Shares expected to commence	1 July 2016

See section 8.7 for full details of the timetable.

The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of this Prospectus. As such the date the New Shares are expected to commence trading on ASX may vary.

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## 2 KEY OFFER TERMS AND CAPITAL STRUCTURE

Shares currently on issue <sup>1</sup>	487,950,245
Options currently on issue <sup>1 and 2</sup>	30,980,000
New Shares offered under this Prospectus at \$0.03 per New Share (approx.) <sup>1</sup>	195,180,098
New Options offered under the Prospectus exercisable at \$0.06 on or before 30 June 2018 (approx.) <sup>3</sup>	97,590,049
Maximum amount raised under this Prospectus (before costs) <sup>1</sup>	\$5,855,403

<sup>1</sup> This assumes no further Shares are issued (including by way of exercise of Options) prior to the Record Date.

<sup>2</sup> See section 5.4 for a list of the Company's Options on issue.

<sup>3</sup> See section 9.2 for full terms and conditions of the New Options.

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### 3 CHAIRPERSON'S LETTER

On behalf of the Board of Velpic Limited, I am pleased to present this opportunity for Shareholders to participate in the Rights Issue Offer, to raise up to A\$5.85 million (before costs). Eligible Shareholders will be able to subscribe for 2 new Shares for every existing 5 Shares they hold at an issue price of \$0.03 per Share, with 1 free attaching Option for every 2 new Shares issued with an exercise price of \$0.06 and a term of 24 months.

I am also pleased that the Offer is partially underwritten by CPS Capital for up to A\$2 million.

Net proceeds from the rights issue will be primarily used to:

- Accelerate Velpic's international growth plans through digital marketing and partnerships
- Continue developing and implementing innovative features within Velpic's cloud-based video eLearning platform

Funding of these primary operational activities will help to ensure Velpic maintains its global first mover advantage through a SaaS (software-as-a-service) model within the Learning Management System (LMS) market, forecast to reach US\$11.3 billion by 2020.

The Company strengthened this position through heightened activity over the past nine months, during which time the Company bolstered management infrastructure whilst strengthening sales channels to help work towards its key growth objectives of expanding market share and accelerating client acquisition. In addition to expanding the Enterprise sales channel nationally, Velpic has now activated the final two pillars of its three pillar sales and marketing strategy at minimal cost and resourcing. The Partnership channel is now in place as well as the SME channel, which included the launch of Version 3.0 of the eLearning platform, which was delivered three months ahead of schedule.

Version 3.0 represents a major catalyst in Velpic's international expansion plans and will help to build on the strong client growth momentum that reached a peak of 18% month-on-month in the March quarter of 2016, and saw the Company enter new sectors including retail, agriculture and franchises. To date, growth had been generated solely through the Enterprise sales channel but with the addition of the two new channels we are aiming to accelerate Velpic's international growth plans.

In combination with the ongoing enhancement of the Velpic eLearning platform, the Company will implement a major sales and marketing campaign targeting key international markets and strengthen its strategic partnerships that will expedite and expand Velpic's reach within these new markets, with potential to multiply reach capacity to accelerate client acquisition.

Shareholders are urged to read the risks set out in section 6, and to seek their own advice if appropriate. The Company has a limited track record, and an investment is highly speculative.

My fellow Directors and I are pleased to offer Shareholders the opportunity to participate in this capital raising and the funding of Velpic's global expansion plans and the continued development of the eLearning platform. I would like to thank all Shareholders for their support to date. I am hopeful that you will continue to support us and take this opportunity to participate in the Offer. I encourage you to read this Prospectus in full and consider the risks set out in section 6.

Yours Sincerely

Leanne Graham  
Non-Executive Chairperson  
Velpic Limited

## 4 INVESTMENT OVERVIEW AND KEY RISKS

This information is a selective overview only. Prospective investors should read the Prospectus in full before deciding to invest in New Shares.

Question	Response	Where to find more information																					
What is the Offer?	<p>2 New Shares for every 5 Existing Shares held on the Record Date at an issue price of \$0.03 per New Share, with 1 free attaching New Option (exercisable at \$0.06 on or before 30 June 2018) for every 2 New Shares issued.</p> <p>Application has been made for the New Shares to be quoted on ASX.</p> <p>The Offer will raise up to \$5.85 million (before costs) if fully subscribed.</p>	Section 5.1																					
Am I an Eligible Shareholder?	<p>The Offer is only made to Eligible Shareholders, who are those Shareholders that:</p> <ul style="list-style-type: none"><li>(a) are the registered holders of Shares as at 7:00pm (AEST) on the Record Date; and</li><li>(b) have a registered address in Australia or New Zealand.</li></ul>	Section 8.4																					
How will the proceeds of the Offer be used?	<p>The Company intends to use the funds raised from the Offer broadly as follows:</p> <table border="1"><thead><tr><th>Use of funds</th><th>Underwritten Amount</th><th>Full Subscription</th></tr></thead><tbody><tr><td>Sales and Marketing</td><td>\$800,000</td><td>\$2,400,000</td></tr><tr><td>Digital product development</td><td>\$400,000</td><td>\$1,200,000</td></tr><tr><td>New premises</td><td>Nil</td><td>\$300,000</td></tr><tr><td>General working capital</td><td>\$608,805</td><td>\$1,764,208</td></tr><tr><td>Costs of the Offer</td><td>\$191,195</td><td>\$191,195</td></tr><tr><td>Total</td><td>\$2,000,000</td><td>\$5,855,403</td></tr></tbody></table>	Use of funds	Underwritten Amount	Full Subscription	Sales and Marketing	\$800,000	\$2,400,000	Digital product development	\$400,000	\$1,200,000	New premises	Nil	\$300,000	General working capital	\$608,805	\$1,764,208	Costs of the Offer	\$191,195	\$191,195	Total	\$2,000,000	\$5,855,403	Section 5.2
Use of funds	Underwritten Amount	Full Subscription																					
Sales and Marketing	\$800,000	\$2,400,000																					
Digital product development	\$400,000	\$1,200,000																					
New premises	Nil	\$300,000																					
General working capital	\$608,805	\$1,764,208																					
Costs of the Offer	\$191,195	\$191,195																					
Total	\$2,000,000	\$5,855,403																					
What are the key risks of a subscription under the Offer?	<p>An investment in the Company has risks that you should consider before making a decision to invest. These risks include:</p> <ul style="list-style-type: none"><li>• Customer uptake risk - there is a risk that the Company may not be able to commercialise its products to the extent required to drive customer</li></ul>	Section 6																					

Question	Response	Where to find more information
	<p>uptake.</p> <ul style="list-style-type: none"> <li>• Customer service risk - if customers have poor experiences with the Company, this may result in the loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of products or services.</li> <li>• New market entrants and technology risk - the emergence of new competitors in the market, or any technological developments providing an alternative to Velpic's product offerings could impact the Company's market share, margins and revenue.</li> </ul> <p>Please carefully consider these risks and the information contained in other sections of this Prospectus before deciding whether or not to apply for New Shares.</p>	
Is the Offer underwritten?	<p>The Offer is partially underwritten by CPS Capital Group to 66,666,667 New Shares or \$2,000,000.</p> <p>The underwriting is conditional upon certain conditions and terminating events customarily found in underwriting agreements for issuers in the Company's circumstances.</p>	Section 8.5
Is the Offer subject to any conditions?	The Offer is not subject to any minimum subscription.	Section 8.2
What will be the effect of the Offer on control of the Company?	<p>The effect of the Offer on control of the Company will vary with the level of Entitlements taken up by Eligible Shareholders and the number of Shortfall Securities placed in the Shortfall Offer.</p> <p>No shareholder will increase their voting power in the Company to 20% or more under the Offer or Shortfall Offer.</p>	Section 5.5
What are Shortfall Securities?	Any New Shares under the Offer that are not applied for by the Closing Date will become Shortfall Securities. The Shortfall Offer is an offer to issue Shortfall Securities and is a separate offer under this Prospectus.	Section 8.8
How do I apply for New Shares and Shortfall Securities under the	Applications for New Shares and Shortfall Securities can be made by Eligible Shareholders completing the relevant sections of the personalised Entitlement and Acceptance Form and sending it to the Share Registry together with payment by cheque or BPAY in the amount of Entitlement	Section 7

Question	Response	Where to find more information
Offer?	and Shortfall Securities applied for.	
Can I sell my Entitlements?	Yes, the Offer is renounceable meaning Entitlement may be transferred.	Section 8.6
How will the Shortfall Securities be allocated?	The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company.  The Directors have absolute discretion to allocate Shortfall Securities that are not Underwritten Shortfall Securities.	Section 8.8
How can I obtain further advice?	Contact the Company Secretary on +61 8 6555 2950 at any time during business hours until the Closing Date. Alternatively, consult your broker or other professional adviser.	

## 5 PURPOSE AND EFFECT OF THE OFFER

### 5.1 Introduction

The Company is seeking to raise up to approximately \$5.85 million before issue costs by offering Eligible Shareholders 2 New Shares for every 5 Existing Shares held as at the Record Date at a price of \$0.03 per New Share, with 1 free attaching New Option (exercisable at \$0.06 on or before 30 June 2018) for every 2 New Shares issued.

The Offer is partially underwritten to \$2,000,000 or 66,666,667 New Shares. The lead manager and underwriter is CPS Capital Group.

### 5.2 Purpose of the Offer

The Directors intend to apply the proceeds from the Offer as follows:

Use of funds (approximately) <sup>1</sup>	Underwritten Amount	Full Subscription
Sales and Marketing	\$800,000	\$2,400,000
Digital product development	\$400,000	\$1,200,000
New premises	Nil	\$300,000
General working capital <sup>2</sup>	\$608,805	\$1,764,208



Costs of the Offer <sup>3</sup>	\$191,195	\$191,195
<b>Total use of funds</b>	<b>\$2,000,000</b>	<b>\$5,855,403</b>

**Notes:**

- 1 This table is a statement of the proposed application of the funds raised as at the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the Company's decisions. The Company reserves the right to vary the way funds are applied.
- 2 General working capital includes but is not limited to corporate administration and operating costs and may be applied to directors' fees, ASX and share registry fees, legal, tax and audit fees, insurance and travel costs.
- 3 See section 10.5 for further details relating to the estimated expenses of the Offer, including fundraising expenses. The Company will also pay a placement fee of 5% for Shortfall Securities (other than Underwritten Shortfall Securities) placed by the Underwriter.

In the event that the amount raised under this Prospectus is more than the Underwritten Amount but less than the Full Subscription, it is intended that the additional amount raised will be applied broadly proportionately to the table in 5.2.

### 5.3 Statement of financial position

Set out in section 13 is the un-audited Consolidated Statement of Financial Position of the Company and the Consolidated Pro-Forma Statement of Financial Position, as at 31 March 2016 and prepared on the basis of the following assumptions:

- (a) the Offer was effective on 31 March 2016;
- (b) no further Shares are issued (including by way of exercise of Options) other than all Shares offered under this Prospectus;
- (c) take up of the Offer:
  - (i) Underwritten Amount;
  - (ii) Full Subscription; and
- (d) costs of the Offer are \$191,195.

The significant accounting policies upon which the Statement of Financial Position and the Pro-Forma Statement of Financial Position are contained in the annual financial report for year ended 30 June 2015.

Whilst the Company is comfortable with the financial information contained in the pro-forma balance sheet, the pro-forma balance sheet is based on management accounts that have not been reviewed or audited.

### 5.4 Effect of the Offer on the Company's securities

Assuming that no further Shares are issued (including by way of exercise of Options) prior to the Record Date, at the close of the Offer, the capital structure of the Company will be:

Shares	Underwritten Amount		Full Subscription	
	Number	%	Number	%
Existing Shares	487,950,245	87.98	487,950,245	71.43
New Shares offered under this Prospectus	66,666,667	12.02	195,180,098	28.57
<b>Total Shares</b>	<b>554,616,912</b>	<b>100.0</b>	<b>683,130,343</b>	<b>100.0</b>

Options	Underwritten Amount	Full Subscription
Unlisted Options (exercise price \$0.35 expiry 12 January 2017)	3,200,000	3,200,000
Unlisted Options (exercise price \$0.06 expiry 31 January 2018)	4,000,000	4,000,000
Unlisted Options (exercise price \$0.06 expiry 31 January 2018)	4,000,000	4,000,000
Unlisted Options (exercise price \$0.20 expiry 10 October 2018)	2,750,000	2,750,000
Unlisted Options (exercise price \$0.05 expiry 3 December 2018)	9,780,000	9,780,000
Unlisted Options (exercise price \$0.20 expiry 18 June 2019)	7,250,000	7,250,000
<b>Total existing Options</b>	<b>30,980,000</b>	<b>30,980,000</b>
New Options offered under this Prospectus (exercise price \$0.06 on or before 30 June 2018)	33,333,334	97,590,049
<b>Total Options following the Offer</b>	<b>64,313,334</b>	<b>128,570,049</b>

The terms of certain Options on issue may allow for the exercise price to change following a rights issue. The new exercise price for those Options will be announced following the ex date of the Offer.

## 5.5 Effect on control

There will be no effect on control of the Company if all Shareholders take up their Entitlement.

(a) Underwriter

CPS Capital has agreed to underwrite the Offer to \$2,000,000 or 66,666,667 New Shares.

In the event that no Eligible Shareholders took up their rights under the Offer and no Shortfall is placed to sub-underwriters, CPS Capital may have a voting power of up to 12.02% in the Company.

(b) Others

No shareholder will increase their voting power in the Company to 20% or more under the Offer or Shortfall Offer.

As the offer is renounceable and to comply with ASX Listing Rule 7.7.1(c), the Company will appoint CPS Capital as nominee to arrange for the sale of Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale.

(c) Dilution

Shareholders who do not participate in the Offer will have their holdings diluted. Following is a table which sets out the dilutionary effect assuming the Full Subscription is raised and no further Shares are issued or options exercised:

Holder	Holding at Record Date			Holding following the Offer if no Entitlement taken up	
	Number	%	Entitlement	Number	%
1	40,000,000	8.20	16,000,000	40,000,000	5.86
2	20,000,000	4.10	8,000,000	20,000,000	2.93
3	10,000,000	2.05	4,000,000	10,000,000	1.46
4	5,000,000	1.02	2,000,000	5,000,000	0.73

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## 6 RISK FACTORS

The New Shares offered under this Prospectus are considered speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below and together with information contained elsewhere in this Prospectus and to consult with their professional advisers before deciding whether to apply for the New Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business and circumstances. In addition, there are general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the New Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

## 6.1 Risk specific to the Offer

### (a) Future funding

The funds raised by the Offer will primarily be used for sales and marketing, digital product development and general working capital. The Company may seek to raise further funds for future operational activities. There is a risk that further raisings may not be on terms favourable to, or dilute, existing Shareholders.

### (b) Dilution

Shareholders who do not take up their Entitlement will have their holding in the Company diluted. Details of dilution are set out in section 5.5(c) above.

### (c) Control

The Directors have taken reasonable steps to ensure a reasonable distribution of voting power under the Offer, including the appointment of CPS Capital as Lead Manager and Underwriter. However, assuming some shareholders take up their Entitlement and others do not, there is a risk that voting power may be consolidated among fewer shareholders and the interests of these Shareholders may not align with other Shareholders' interests.

## 6.2 Company and industry risks

The risks outlined below are specific to the Company's operations.

### (a) Customer Uptake Risk

The global marketplace for SaaS products is ever changing due to new technologies, new products, changes in preferences, changes in regulation and other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of sales and marketing strategies, market research, promotion and sales and licensing campaigns.

Accordingly, there is a risk that the Company may not be able to commercialise its products to the extent required to drive customer uptake, which could adversely impact the Company's operations.

### (b) Customer Service Risk

The Company's business model is based on recurring revenue arising from usage. Poor customer service experiences may result if the Company loses key customer service personnel, fails to provide adequate training and resources for customer service personnel or there is a disruption to monitoring and account management systems utilised by customer service personnel. Poor experiences may result in the loss of customers, adverse publicity, litigation, regulatory enquiries and customers reducing the use of products or services. If any of these occur, it may adversely impact the Company's revenues.

(c) New Market Entrants and Technology Risk

The emergence of new competitors in the market, or any technological developments providing an alternative to Velpic's product offerings could impact the market share that the Company is able to acquire and cause downward price pressure on consumer software and services platforms, thus reducing the Company's margins and revenue. Further, existing providers of similar consumer services may also respond aggressively to Velpic's market growth to retain or regain market share, which could also impact the Company's margins and revenue.

(d) Security Breaches and Hacker Attacks

A malicious attack on the Company's systems, processes or people from external or internal sources could put the integrity and privacy of customers' data and business systems used at risk. The impact of loss or leakage of customer or business data could include costs for rebates, potential service disruption, litigation, and brand damage resulting in reduced or failing revenues. The Company follows best practice in relation to security policies, procedures, automated and manual protection, encryption systems and staff screening to minimise this risk.

(e) Maintaining First Mover Advantage risk

In lieu of patents and more traditional forms of protection of intellectual property, SaaS firms employ a strategy of constant innovation to stay ahead of the competition especially when entering existing markets where the solution is novel but the problem being solved is not. This is called First Mover Advantage. If innovation is stifled through lack of creativity or funds then this may adversely affect the Company.

(f) Intellectual Property

Securing rights to intellectual property, and in particular patents, is not an integral part of securing overall potential product value with SaaS products entering traditional markets. Competition in retaining and sustaining protection of intellectual property and the complex nature of intellectual property can lead to expensive and lengthy patents disputes for which there can be no guaranteed outcome.

The granting of a patent does not guarantee that the rights of others are not infringed nor that competitors will not develop competing intellectual property that circumvents such patents. The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties.

Although the Company is not aware of any third party interests in relation to the intellectual property rights of the intellectual property, and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in technological discoveries, and if any disputes arise, they could adversely affect the Company.

Although the Company will implement all reasonable endeavours to protect its intellectual property, including applications for patents where appropriate, there can be no assurance that these measures have been, or will be sufficient.

(g) Key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. If one or more of these employees cease their employment, this may have an impact on the Company's First Mover Advantage, market share or revenue.

### 6.3 General investment risks

The risks outlined below are some of the general risks that may affect an investment in the Company.

(a) Securities investments and share market conditions

There are risks associated with any securities investment. The prices at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

(b) Liquidity risk

The market for the Company's Shares may be illiquid. As a consequence investors may be unable to readily exit or realise their investment.

(c) Economic risk

Changes in Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings. The Company's possible revenues and price of its securities can be affected by these factors which are beyond the control of the Company and its Directors.

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## 7 ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

### 7.1 What you may do

As an Eligible Shareholder, you may:

- (a) subscribe for all or part of your Entitlement (see section 7.2);
- (b) subscribe for all of your Entitlement and apply for Shortfall Securities (see section 7.3);
- (c) sell all of your Entitlement on ASX (see section 7.4);
- (d) take up part of your Entitlement and sell the balance on ASX (see section 7.5);
- (e) deal with part or all of your Entitlement other than on ASX (see section 7.6); or

- (f) allow all or part of your Entitlement to lapse (see section 7.7).

## **7.2 Subscribe for all or part of your Entitlement**

Applicants should read this Prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the New Shares offered by this Prospectus before deciding to apply for New Shares. If you do not understand this Prospectus you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Prospectus.

If you wish to subscribe for all or part of your Entitlement, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. The Entitlement and Acceptance Form sets out the number of New Shares you are entitled to subscribe for.

## **7.3 Subscribe for all of your Entitlement and apply for Shortfall Securities**

Eligible Shareholders who take up their Entitlement in full may, in addition to their Entitlement, apply for Shortfall Securities regardless of the size of their present holding by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. See section 8.8 for details of the manner in which Shortfall Securities will be allocated.

Surplus application moneys will be returned to Applicants as soon as practicable following the close of the Offer.

## **7.4 If you wish to sell all of your Entitlement**

Complete the section marked “Instructions to Stockbroker” on the Entitlement and Acceptance Form, which accompanies this Prospectus, in accordance with the instructions contained on the form and lodge it with your stockbroker as soon as possible.

Rights trading will commence on ASX on 10 June 2016. Sale of your Rights must be completed by 17 June 2016 when Rights trading is expected to cease.

## **7.5 If you wish to take up part of your Entitlement and sell the balance**

Please complete the Entitlement and Acceptance Form, which accompanies this Prospectus, by inserting the number of New Shares for which you wish to accept (being less than as specified on the Application Form) and complete the section marked “Instructions to Stockbroker” on the back of the form in respect of that part of your Entitlement you wish to sell.

Forward the form to your stockbroker together with your cheque for the total amount payable in respect of the New Shares accepted. Your stockbroker will need to ensure that the completed Application Form reaches the Company’s share registry, by 5:00pm AEST on 24 June 2016. Cash will not be accepted and no receipts will be issued.

Rights trading will commence on ASX on 10 June 2016. Sale of your Rights must be completed by 17 June 2016 when Rights trading is expected to cease.

## **7.6 If you wish to transfer your Entitlement other than on ASX**

If you are a Shareholder and hold Existing Shares on the issuer sponsored sub-register, forward a completed renunciation form (obtainable through your stockbroker or the

Company's share registry) together with your Entitlement and Acceptance Form completed by the transferee together with a cheque for the appropriate Application monies to reach the Company's share registry, by 5:00pm AEST on 17 June 2016.

If you are a Shareholder and hold Existing Shares registered on CHESS, you should contact your sponsoring broker.

Cash will not be accepted and no receipts will be issued.

#### **7.7 Allow all or part of your Entitlement to lapse**

If you are an Eligible Shareholder and do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

If you take no action, your Entitlement will lapse. You will receive no benefit or New Shares and your Entitlement will become Shortfall Securities.

If you wish to apply for New Shares, you must take action to accept your Entitlement in accordance with the instructions above and on the accompanying personalised Entitlement and Acceptance Form.

The number of Existing Shares you hold as at the Record Date and the rights attached to those Existing Shares will not be affected if you choose not to accept any of your Entitlement.

#### **7.8 Payment methods**

##### ***BPAY***

If you are paying by BPAY, refer to your personalised instructions on your Entitlement and Acceptance Form. Shareholders who wish to pay by BPAY must ensure that payment is received by no later than 5:00pm AEST on the Closing Date.

You should be aware that your own financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY are received by 5:00pm AEST on the Closing Date.

If you have more than one shareholding and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those shareholdings only use the Customer Reference Number specific to that shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same Customer Reference Number for more than one of your shareholdings. This can result in your application monies being applied to your Entitlement in respect of only one of your shareholdings (with the result that any application in respect of your remaining shareholdings will not be recognised as valid).

The Company will not be responsible for any postal or delivery delays or delay in the receipt of the BPAY payment.

##### ***Cheque, bank draft or money order***

Alternatively, if you are paying by cheque, bank draft or money order, the completed Entitlement and Acceptance Form must be accompanied by a cheque, bank draft or money order made payable to 'Velpic Limited' and crossed 'Not Negotiable' for the appropriate application money in Australian dollars calculated at \$0.03 per New Share accepted. Your



cheque, bank draft or money order must be paid in Australian currency and be drawn on an Australian branch of an Australian financial institution. The Company will present the cheque or bank draft on the day of receipt of the Entitlement and Acceptance Form. You must ensure that your cheque account has sufficient funds to cover your payment, as your cheque will be presented for payment on receipt. If your bank dishonours your cheque your application will be rejected. Dishonoured cheques will not be represented.

If the amount of your cheque(s), bank draft(s) or money order(s) for application money (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared application money will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form) or your Application may be rejected.

The Entitlement and Acceptance Form must be received by the Company at either of the following addresses by no later than 5.00pm (AEST) on the Closing Date:

<b>Mailing Address:</b>	<b>Hand Delivery:</b>
Velpic Limited C/- Link Market Services Limited GPO Box 3560 Sydney NSW 2001	Velpic Limited C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138

## **7.9 Entitlement and Acceptance Form is binding**

Receipt of a completed and lodged Entitlement and Acceptance Form together with a cheque for the application monies, or by making a payment in respect of an Application by BPAY, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn.

By completing and returning your Entitlement and Acceptance Form with the requisite application monies, or by making a payment in respect of an Application by BPAY, you will be deemed to have represented that you are an Eligible Shareholder. In addition, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Prospectus, does not prohibit you from being given the Prospectus and that you:

- (a) agree to be bound by the terms of the Offer;
- (b) declare that all details and statements in the Entitlement and Acceptance Form are complete and accurate;
- (c) declare that you are over 18 years of age and have full legal capacity and power to perform all your rights and obligations under the Entitlement and Acceptance Form;
- (d) authorise the Company and its respective officers or agents, to do anything on your behalf necessary for the New Shares to be issued to you, including to act on instructions of the Company's share registry upon using the contact details set out in the Entitlement and Acceptance Form;

- (e) declare that you are the current registered holder of Shares and are an Australian or New Zealand resident, and you are not in the United States or a US Person, or acting for the account or benefit of a US Person;
- (f) acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that New Shares are suitable for you given your investment objectives, financial situation or particular needs; and
- (g) acknowledge that the New Shares have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia and New Zealand and accordingly, the New Shares may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of applicable securities laws in particular the US Securities Act.

The Entitlement and Acceptance Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon the issue of the New Shares.

If the Entitlement and Acceptance Form is not completed correctly or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the application monies received by the Company.

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## **8 DETAILS OF THE OFFER**

### **8.1 Shares offered for subscription**

By this Prospectus the Company makes a renounceable pro rata offer to Eligible Shareholders of 2 New Shares for every 5 Existing Shares held as at the Record Date at a price of \$0.03 per New Share with 1 free attaching New Option (exercisable at \$0.06 on or before 30 June 2018) for every 2 New Shares issued, to raise up to approximately \$5.85 million before issue costs. Fractional entitlements will be rounded up to the nearest whole number.

The Offer is only open to Eligible Shareholders. The Company reserves the right to reject any application that it believes comes from a person who is not an Eligible Shareholder.

Details of how to apply for New Shares are set out at section 7.

All New Shares offered under this Prospectus will rank equally with Existing Shares. The rights and liabilities of the New Shares and New Options are summarised in section 9.

### **8.2 Minimum subscription**

The Offer is not subject to a minimum subscription.

### 8.3 Acceptances

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company to extend the Offer period.

Instructions for accepting your Entitlement are set out in section 7 and on the Entitlement and Acceptance Form which accompanies this Prospectus.

### 8.4 Entitlement to Offer

The Offer is made to Eligible Shareholders, who are those Shareholders that:

- (a) are the registered holder of Shares as at 7:00pm (AEST) on the Record Date; and
- (b) have a registered address in Australia or New Zealand.

### 8.5 Lead Manager and Underwriter

CPS Capital Group is acting as lead manager and will partially underwrite the issue to 66,666,667 Shortfall Securities or \$2,000,000 (Underwritten Amount).

See section 10.2 for details of sub-underwriting by Leanne Graham and Harry Karelis, Directors of the Company.

CPS Capital Group will be paid a fee for managing and underwriting the Offer, details of which are set out in sections 10.3 and 10.5. All sub-underwriting fees will be paid by CPS Capital Group.

The Company will also be required to reimburse the Underwriter for all of the reasonable costs incurred in relation to the Offer.

The underwriting of the Offer is conditional upon satisfaction or waiver by the Underwriter of the certain conditions ordinarily found in an agreement of this type, including that:

- (a) the Company has (subject to certain limitations, including where the loss arises through the Underwriter performing its underwriting obligation) agreed to indemnify the Underwriter, its directors, officers, employees, and agents against losses suffered or incurred in connection with the Offer;
- (b) the Company and the Underwriter have given representations, warranties and undertakings in connection with (among other things) the conduct of the Offer;
- (c) the Underwriter may (in certain circumstances, including having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to) where any of the following events has a material adverse effect or could give rise to a liability of the Underwriter under the Corporations Act or otherwise:
  - (i) the S&P ASX 200 Index is at any time after the date of the Underwriting Agreement 7% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
  - (ii) the closing price of Shares as quoted by the ASX prior to the allotment of New Shares is less than the issue price;
  - (iii) an event occurs which gives rise to a material adverse effect or any adverse change or any development including a likely material adverse effect after

the date of the Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of any relevant company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;

- (iv) any of the material contracts or contracts described in this Prospectus (other than the Underwriting Agreement) or disclosed to ASX are terminated or substantially modified;
- (v) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world; or
- (vi) a suspension or material limitation in trading generally on ASX occurs or any material adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, Japan, the United Kingdom, the United States of America or other international financial markets.

## 8.6 Rights trading

The Rights to Shares are renounceable, which enables Shareholders who do not wish to take up some or all of their Entitlements to sell or otherwise transfer all or part of their Entitlement. Trading of Rights on the ASX is expected to commence on 10 June 2016 and end on 17 June 2016.

## 8.7 Timetable

The timetable for the Offer is as follows:

Lodgement of the Prospectus with ASIC and ASX	7 June 2016
Ex-date	10 June 2016
Rights trading commences	10 June 2016
Record date to determine Entitlement ( <b>Record Date</b> )	14 June 2016
Prospectus with Entitlement and Acceptance Form dispatched	15 June 2016
Offer opens for receipt of Applications	15 June 2016
Rights trading ends	17 June 2016
Deferred settlement trading commences	20 June 2016

Closing date for acceptances ( <b>Closing Date</b> )	24 June 2016
Notify ASX of Shortfall	28 June 2016
Issue of New Shares	30 June 2016
Deferred settlement trading ends	30 June 2016
Dispatch of transaction statements	1 July 2016
Normal trading of New Shares expected to commence	1 July 2016
Last date to issue Shortfall Securities (see section 8.8)	24 September 2016

The Directors may extend the Closing Date by giving at least 3 Business Days' notice to ASX prior to the Closing Date, subject to such date being no later than 3 months after the date of this Prospectus. As such the date the New Shares are expected to commence trading on ASX may vary.

## 8.8 Shortfall

Any New Shares not applied for under the Offer will become Shortfall Securities. The Directors reserve the right to issue any Shortfall Securities within 3 months after the Closing Date (**Shortfall Offer**).

The Shortfall Offer is, to the extent it is made in Australia, made under this Prospectus. To the extent the Shortfall Offer is made outside Australia, the Shortfall Offer is made without disclosure, a prospectus, lodgement, filing or registration, or other requirements of any applicable securities law, and only in circumstances where it is lawful to do so (such as to institutional or sophisticated investors).

Eligible Shareholders may apply for Shortfall Securities by completing the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. Other investors who are not Eligible Shareholders may apply for Shortfall Securities by completing the Shortfall Application Form attached to this Prospectus. Persons outside Australia doing so represent to the Company that they can apply for Shortfall Securities in circumstances which do not require the offer for Shortfall Securities or this Prospectus to be registered.

It is possible that there may be no Shortfall Securities available for issue. The Underwriter has the sole right to nominate and determine who is to receive the Underwritten Shortfall Securities, following reasonable consultation with, and due consideration of any comments provided by, the Company. The Directors have absolute discretion to allocate Shortfall Securities that are not Underwritten Shortfall Securities.

The Directors reserve the right at their absolute discretion to reject any application for Shortfall Securities or to issue a lesser number of Shortfall Securities than that applied for, and it is an express term of the Shortfall Offer that applicants for Shortfall Securities will be bound to accept a lesser number of Shortfall Securities allocated to them than applied for. If a lesser number is allocated, excess application money will be refunded without interest as soon as practicable after the Closing Date.

## **8.9 Offer outside Australia and New Zealand**

Recipients may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia and New Zealand.

## **8.10 Treatment of Ineligible Shareholders**

Given the small number of Ineligible Shareholders and the cost of complying with applicable regulations in those jurisdictions, the Company has decided that it would be unreasonable to extend the Offer to Ineligible Shareholders. The Prospectus will not be sent to those Shareholders.

### **(a) New Zealand**

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares. This Prospectus has not been registered, filed or approved by any New Zealand regulatory authority. This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

### **(b) Elsewhere**

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the New Shares or the Offer or otherwise to permit an offering of the New Shares in any jurisdiction other than as set out in this section.

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

Recipients may not send or otherwise distribute this Prospectus or the Entitlement and Acceptance Form to any person outside Australia or New Zealand (other than to Eligible Shareholders).

## **8.11 Appointment of nominee**

As the Offer is renounceable and for the purposes of Listing Rule 7.7.1(c), the Company will appoint CPS Capital as nominee to arrange for the sale of the Entitlements that would have been given to Ineligible Shareholders and to account to them for the net proceeds of the sale.

The proceeds of sale (in Australian dollars) will be distributed to the Ineligible Shareholders for whose benefits the Entitlements have been sold in proportion to their shareholdings as at the Record Date (after deducting the costs of the sale).

#### **8.12 Beneficial holders, nominees, trustees and custodians**

Nominees and custodians that hold Shares should note that the Offer is available only to Eligible Shareholders. The Company is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of securities. If any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

#### **8.13 Issue of New Shares and application money**

New Shares will be issued only after ASX has granted permission for the New Shares to be quoted. It is expected that New Shares will be issued on 30 June 2016 and normal trading of the New Shares on ASX is expected to commence on 1 July 2016.

All application monies will be deposited into a separate bank account of the Company and held in trust for Applicants until the New Shares are issued or application monies returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

#### **8.14 Quotation**

The Company has applied to ASX for quotation of the New Shares offered by this Prospectus. If ASX does not grant permission for the quotation of the New Shares offered under this Prospectus within 3 months after the date of this Prospectus, or such longer period as modified by ASIC, none of the New Shares offered by this Prospectus will be issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act including the return of all application monies without interest.

A decision by ASX to grant official quotation of the New Shares is not to be taken in any way as an indication of ASX's view as to the merits of the Company or of the New Shares.

Quotation, if granted, of the New Shares offered by this Prospectus will commence as soon as practicable after statements of holdings of the New Shares are dispatched.

#### **8.15 Market prices of Existing Shares on ASX**

The highest and lowest market sale price of the Existing Shares, which are on the same terms and conditions as the New Shares being offered under this Prospectus, during the 3 months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

	<b>3 month high</b>	<b>3 month low</b>	<b>Last market sale price</b>
Price (cents)	\$0.065	\$0.034	\$0.039
Date	14 March 2016	2 June 2016	2 June 2016

## **8.16 CHESS**

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). CHESS is operated by ASX Settlement Pty Ltd (**ASPL**), a wholly owned subsidiary of ASX.

Under CHESS, the Company does not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Company, including New Shares issued under this Prospectus. If an investor is broker sponsored, ASPL will send a CHESS statement.

The CHESS statement will set out the number of New Shares issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company's share registrar and will contain the number of New Shares issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

## **8.17 Taxation and duty implications**

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Offer or Shareholders applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders in the Offer. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Offer.

No brokerage or stamp duty is payable by Applicants in respect of Applications for New Shares under this Prospectus.

## **8.18 Privacy**

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting an Entitlement and Acceptance Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Entitlement and Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

The Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register. The information contained in the Company's public register must remain there even if that person ceases to be a Shareholder. Information contained in the Company's register is also used to facilitate distribution payments and corporate communications (including the



Company's financial results, annual reports and other information that the Company may wish to communicate to its security holders) and compliance by the Company with legal and regulatory requirements.

If you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Company holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Company's registered office.

#### **8.19 Enquiries**

Any queries regarding the Offer should be directed to Piers Lewis, Company Secretary on +61 8 6555 2950.

Any queries regarding the Entitlement and Acceptance Form should be directed to the Share Registry on 1300 554 474.

You can also contact your stockbroker or professional adviser with any queries in relation to the Offer.

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## **9 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES**

### **9.1 Rights and liability attaching to Shares**

Full details of the rights and liabilities attaching to the Shares are:

- detailed in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) Voting rights

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company every member has one vote on a show of hands and one vote upon a poll. Voting may be in person or by proxy, attorney or representative.

(b) Dividends

Subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve.

The Directors may determine the method and time for payment of the dividend.

(c) Winding up

Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, any surplus must be divided among the Shareholders in the proportion to the shares held by them. Subject to any rights or restrictions attached to a class of shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the Shareholders:

- (i) distribute among Shareholders the whole or any part of the property of the Company; and
- (ii) decide how to distribute the property as between the Shareholders or different classes of Shareholders.

(d) Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, and to the registration of the transfer not resulting in a contravention of, or failure to observe, the provisions of a law of Australia.

(e) Issue of further Shares

The Directors may, subject to any restrictions imposed by the Constitution, Listing Rules and the Corporations Act, allot, issue and grant options over further Shares, on such terms and conditions as they see fit.

(f) Directors

The Constitution contains provisions relating to the rotation and election of directors. No Director other than the Managing Director may hold office later than the third annual general meeting after his or her appointment or election without submitting himself or herself for re-election.

(g) Variation of Shares and rights attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

(h) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(i) Listing Rules

Provided the Company remains admitted to the official list of the ASX, then despite anything in the Constitution, no act may be done that is prohibited by the Listing Rules, and authority is given for acts required to be done by the Listing Rules. If as a result of an amendment to the Listing Rules, there is an inconsistency between the Constitution and the Listing Rules, the Company shall, subject to the Corporations Act, do all things necessary to change the Constitution to remove the inconsistency as soon as possible and in any event, at the first general meeting of the Company held after the date on which the relevant amendment the Listing Rules comes into operation.

## 9.2 New Options

The free attaching Options to be issued pursuant to the Offer and issued to CPS Capital entitles the holder to subscribe for Shares on the following terms and conditions:

The terms and conditions of the Options are as follows:

- (a) Each New Option entitles the holder to acquire one fully paid Share in the Company.
- (b) The New Options are exercisable at any time on or prior to 5:00pm AWST on 30 June 2018 by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the New Options are exercised to the registered office of the Company or to the Company's Share Registry.
- (c) The New Option exercise price is \$0.06 per New Option.
- (d) A New Option does not confer the right to a change in exercise price or a change in the number of underlying Shares over which the New Option can be exercised.
- (e) Shares issued on the exercise of the New Options will be issued no more than fourteen (14) days after receipt of a properly executed exercise notice and application monies. Shares allotted pursuant to the exercise of a New Option will rank equally with the then issued ordinary shares of the Company in all respects.
- (f) New Option holders shall be permitted to participate in new issues of securities on the prior exercise price of options in which case the New Option holders shall be afforded the period of notice as required by the Listing Rules.
- (g) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the New Option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.
- (h) If there is a bonus issue to shareholders, the number of shares over which the New Option is exercisable may be increased by the number of shares which the holder of the New Option would have received if the New Option had been exercised before the record date for the bonus issue.
- (i) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the New Option may be reduced in accordance with Listing Rule 6.22.

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## 10 ADDITIONAL INFORMATION

### 10.1 Continuous disclosure obligations

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable

person would expect to have a material effect on the price or the value of the Company's securities. The New Shares which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus" to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of New Shares on the Company and the rights attaching to the New Shares and New Options. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the period from lodgement of the Company's annual financial report of the Company for the financial year ended 30 June 2015 to the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the annual financial report of the Company for the financial year ended 30 June 2015 being the last financial report for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
  - (ii) any half-year financial report lodged with ASIC by the Company after the lodgement of that annual report and before the lodgement of this Prospectus; and

- (iii) any continuous disclosure notices given by the Company after the lodgement of the financial report referred to in paragraph (i) and before the lodgement of this Prospectus with ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be obtained free of charge from the Company's registered office during normal office hours.

The Company has lodged the following announcements with ASX since its 2015 annual financial report:

<b>Date</b>	<b>Description of Announcement</b>
07/06/2016	Velpic signs Bulldogs' Canterbury League Club as New Client
07/06/2016	Appendix 3B
07/06/2016	Renounceable Rights Issue
25/05/2016	Velpic Releases Learn Mobile App
19/05/2016	Becoming a substantial holder
11/05/2016	Velpic enters Strategic Partnerships Driving Customer Growth
10/05/2016	Velpic signs MOU with Tikforce
09/05/2016	Investor Presentation
05/05/2016	Velpic Enters Product Training Market
02/05/2016	VELPIC RELEASES VERSION 3.0 OF E-LEARNING PLATFORM
29/04/2016	Appendix 4C
28/04/2016	Quarterly Activities Report
18/04/2016	Next Generation Platform Development Well Ahead of Schedule
06/04/2016	Velpic Releases Mobile App
16/03/2016	Letter to Shareholders
15/03/2016	Velpic Baillieu Holst Research Report
14/03/2016	Investor Presentation
14/03/2016	Velpic Accelerates International Exposure with ADP Agreement
10/03/2016	Velpic Secures New Reseller Partnerships Nationwide
09/03/2016	New SME Pricing
08/03/2016	Velpic Signs New Enterprise Clients
04/03/2016	Initial Director's Interest Notice
03/03/2016	Velpic Commences International Expansion
01/03/2016	Director Appointment
29/02/2016	Half Year Report Summary

29/02/2016	Video Podcast with Velpic CEO
29/02/2016	Half Yearly Report and Accounts
29/02/2016	Appendix 4D
17/02/2016	Velpic activates new revenue streams
16/02/2016	In The Chair releases Velpic Podcast
16/02/2016	Velpic February 2016 Investor Update
04/02/2016	Sales Team Expansion & Continued Client Growth on East Coast
02/02/2016	Letter to Shareholders
29/01/2016	Appendix 4C - quarterly
29/01/2016	Quarterly Activities Report
22/01/2016	Baillieu Holst releases Velpic Research Report
13/01/2016	Cleansing Statement
13/01/2016	Appendix 3B
15/12/2015	Velpic Signs Off Stellar 2015 With Major New Client Wins
10/12/2015	Velpic Expands National Sales Team & Strengthens Management
08/12/2015	Appendix 3B
04/12/2015	Velpic Signs First Reseller Partnership
26/11/2015	Becoming a substantial holder
26/11/2015	Becoming a substantial holder
26/11/2015	Becoming a substantial holder
24/11/2015	Results of Meeting
23/11/2015	Investor Update
19/11/2015	Alcoa Signs up to Velpic's Cloud-based eLearning Platform
17/11/2015	Ceasing to be a substantial holder
12/11/2015	Velpic Commences Trading on the ASX
10/11/2015	Velpic Accounts 2013 2014 and 2015
10/11/2015	Confirmations
10/11/2015	Trading Policy
10/11/2015	Updated Statement of Financial Position
10/11/2015	Statement of Commitments
10/11/2015	Escrowed Securities

10/11/2015	Constitution
10/11/2015	Top 20 and Distribution Schedule
10/11/2015	Appendix 1A and Information Form and Checklist
10/11/2015	Pre- Quotation Disclosure
10/11/2015	ASX Notice - Reinstatement
10/11/2015	Reinstatement 12 November 2015
10/11/2015	Leanne Graham Former Xero Executive Appointed as Chairperson
30/10/2015	Final Director's Interest Notice
30/10/2015	Board Changes
30/10/2015	Quarterly Activities Report
30/10/2015	Quarterly Cashflow Report
27/10/2015	Appendix 3X x 4
27/10/2015	Change of Director's Interest Notice
27/10/2015	Appendix 3Z x 2
27/10/2015	Details of Company Address
23/10/2015	Notice of Annual General Meeting
22/10/2015	Settlement of Acquisition of Velpic
22/10/2015	Appendix 3B
06/10/2015	Velpic Capital Raising completed
02/10/2015	Appendix 3B
30/09/2015	Firm commitments of over \$3.9M secured for capital raise
25/09/2015	Appendix 4G

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours or from [www.asx.com.au](http://www.asx.com.au).

## 10.2 Directors' interests

As at the date of this Prospectus the Directors have a relevant interest in securities of the Company and remuneration as set out below.

Current Director	Current holding		Entitlement	
	Shares	Options	New Shares	Options
Leanne Graham	Nil	2,000,000	Nil	Nil

Russell Francis	37,500,000	Nil	15,000,000	7,500,000
Patrick Connell	37,500,000	Nil	15,000,000	7,500,000
Glen Moora	37,500,000	Nil	15,000,000	7,500,000
Harry Karelis	Nil	2,000,000	Nil	Nil
Dan Rohr	4,166,667	320,000	1,666,669	833,335

<b>Remuneration paid to current Directors in the two years prior to the date of this Prospectus</b>			
<b>Director</b>	<b>2016/2015</b>	<b>2015/2014</b>	<b>2014/2013</b>
Leanne Graham <sup>1,7</sup>	\$28,000	Nil	Nil
Russell Francis <sup>2,7,8</sup>	\$175,538	\$103,846	\$120,000
Patrick Connell <sup>3,8</sup>	\$159,385	\$120,000	\$120,000
Glen Moora <sup>4,8</sup>	\$178,616	\$120,000	\$120,000
Harry Karelis <sup>5</sup>	\$72,500	\$47,694	Nil
Dan Rohr <sup>6</sup>	\$92,984	Nil	Nil

1 Leanne Graham was appointed on 22 October 2015 and is entitled to annual directors fees of \$42,000. Ms Graham has agreed to sub-underwrite the Offer for \$20,000, and will be paid a sub-underwriting fee of 5%.

2 Russell Francis was appointed on 22 October 2015 and is entitled to an annual base salary of \$200,000 (excluding superannuation) and a cash bonus of up to \$100,000 (subject to key performance indicators and board approval).

3 Patrick Connell was appointed on 22 October 2015 and is entitled to an annual base salary of \$200,000 (excluding superannuation) and a cash bonus of up to \$100,000 (subject to key performance indicators and board approval).

4 Glen Moora was appointed on 22 October 2015 and is entitled to an annual base salary of \$230,000 (excluding superannuation) and a cash bonus of up to \$100,000 (subject to key performance indicators and board approval).

5 Harry Karelis is entitled to annual directors fees of \$42,000. Mr Karelis' remuneration includes consulting services provided to the Company by Mr Karelis. Mr Karelis has agreed to sub-underwrite the Offer for \$50,000, and will be paid a sub-underwriting fee of 5%.

6 Daniel Rohr was appointed on 1 March 2016. Prior to his appointment as a Director, Mr Rohr was consulting to the Company for which he was paid \$87,083, of which \$83,333 was paid in Shares.



7 Subject to Shareholder approval, the Board is considering granting unlisted Options to Ms Graham and Mr Francis upon the successful completion of the Offer (on similar terms to the New Options with an exercise price of \$0.06 and a term of 36 months).

8 The remuneration paid to Messer's Francis, Connell and Moora in the two years prior to the date of this prospectus includes Directors fees paid by Velpic Australia Pty Ltd (formerly The Inductor Pty Ltd) ATF the Inductor Trust and Dash Digital Pty Ltd ATF the Dash Unit Trust).

Leanne Graham, non-executive chairperson, has agreed to sub-underwrite the Offer for \$20,000. Harry Karelis, a non-executive Director, has agreed to sub-underwrite the Offer for \$50,000. The Underwriter will pay Ms Graham and Mr Karelis a sub-underwriting fee of 5%.

The Directors, other than Ms Graham and Mr Karelis, have determined that the financial benefits given to Ms Graham and Mr Karelis under the sub-underwriting are reasonable in the circumstances if the Company, Ms Graham, and Mr Karelis were dealing at arm's length, so that shareholder approval is not required under Chapter 2E of the Corporations Act for the sub-underwriting.

The sub-underwriting arrangements will only terminate if the Offer is withdrawn.

Up to the date of this prospectus, consulting fees of \$94,000 were paid, based on normal terms and conditions, to iExecute SaaS Ltd (of which Leanne Graham is a Director).

The Company has entered into indemnity, insurance and access deeds with each of the Directors (**Deeds**). Under the Deeds, the Company agrees to indemnify each of the Directors to the extent permitted by the Corporations Act against certain liabilities incurred by the Directors whilst acting as an officer of the Company, and to insure each Director against certain risks to which the Company is exposed as an officer of the Company. The Deeds also grant each Director a right of access to certain records of the Company for a period of up to 7 years after the Director ceases to be an officer of the Company.

The Deeds were entered into as part consideration for the Directors agreeing to hold office as directors of the Company.

The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the non-executive directors as they from time to time agree and in default of agreement then in equal shares.

The Company also pays premiums to insure all of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct whilst acting in the capacity as a Director of the Company.

Other than as set out above or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last 2 years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given:

(d) to a Director or proposed Director or to any firm which any such Director is a partner, to induce him or her to become, or to qualify as, a Director; or

(e) for services provided by a Director or proposed Director or to any firm which any such Director is a partner, in connection with the formation or promotion of the Company or the Offer.

### 10.3 Interests of promoters and named persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

(a) the formation or promotion of the Company; or

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(c) the Offer.

Kings Park Corporate Lawyers has acted as solicitors to the Offer. In respect of this work, the Company will pay approximately \$10,000 exclusive of GST. Subsequently fees will be paid in accordance with normal hourly rates. Kings Park Corporate Lawyers has not received any fees for services to the Company prior to the date of this Prospectus.

CPS Capital Group will act as lead manager and underwriter to the Offer. In respect of this work, the Underwriter will be paid a lead manager fee of \$60,000 and 2,000,000 New Options. CPS Capital will receive an underwriting fee of 5% of the Underwritten Amount. The Underwriter has not received any other payments or benefits from the Company in the 2 years prior to the date of this Prospectus.

Ms Graham and Mr Karelis, as sub-underwriters to the Offer, will receive a 5% sub-underwriting fee on the amount they underwrite.

### 10.4 Consents

Each of the persons referred to in this section:

(a) has given and has not, before the date of lodgement of this Prospectus with ASIC withdrawn their written consent:

(i) to be named in the Prospectus in the form and context which it is named; and

(ii) where applicable, to the inclusion in this Prospectus of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this Prospectus;

(b) has not caused or authorised the issue of this Prospectus;

- (c) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than specified below; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Prospectus with the consent of that person.

Name	Statement/Role
Kings Park Corporate Lawyers	Lawyers
CPS Capital Group Pty Ltd	Underwriter

### 10.5 Expenses of the Offer

Assuming Full Subscription, the total estimated expenses of the Offer are as set out below:

Cost <sup>1</sup>	(approximately) (\$)
Fundraising expenses	160,000
Legal fees	10,000
ASX fees	13,875
ASIC and other expenses	2,320
Printing, postage and other	5,000
<b>Total</b>	<b>191,195</b>

<sup>1</sup>These costs have or will be paid by the Company.

<sup>2</sup> The Company will also pay a placement fee of 5% for Shortfall Securities (other than Underwritten Shortfall Securities) placed by the Underwriter.

### 10.6 Litigation

Other than as disclosed elsewhere in this Prospectus, as at the date of this Prospectus, the Company is not involved in any legal proceedings of a material nature and the Directors are not aware of any legal proceedings pending or threatened against the Company.

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**11 DIRECTORS' RESPONSIBILITY AND CONSENT**

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 7 June 2016



A handwritten signature in black ink, appearing to read 'R Francis', is written over a horizontal dotted line.

Signed for and on behalf of

Velpic Limited by

Russell Francis

---

## 12 GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

<b>\$, A\$ or Dollars</b>	Australian dollars unless otherwise stated.
<b>AEST</b>	Australian Eastern Standard Time
<b>Applicant</b>	a person who submits a valid Entitlement and Acceptance Form pursuant to this Prospectus.
<b>Application</b>	a valid application made on an Entitlement and Acceptance Form to subscribe for New Shares pursuant to this Prospectus.
<b>ASIC</b>	the Australian Securities & Investments Commission.
<b>ASX</b>	the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Ltd.
<b>AWST</b>	Australian Western Standard Time
<b>Board</b>	the board of Directors.
<b>Business Day</b>	Monday to Friday inclusive, except any day that ASX declares is not a business day.
<b>Closing Date</b>	the date set out in section 1.
<b>Company or Velpic</b>	Velpic Limited (ACN 149 197 651).
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth).
<b>Deeds</b>	the indemnity, insurance and access deeds between the Company and each of the Directors.
<b>Director</b>	a director of the Company.
<b>Eligible Shareholders</b>	a Shareholder as at the Record Date with a registered address in Australia or New Zealand.
<b>Entitlement and Acceptance Form</b>	the personalised entitlement and acceptance form accompanying this Prospectus.
<b>Entitlement or Rights</b>	a Shareholder's entitlement to subscribe for New Shares offered by this Prospectus.
<b>Existing Share</b>	a Share issued as at 7:00pm (AEST) on the Record Date.
<b>Full Subscription</b>	\$5,855,403 before costs.
<b>Ineligible Shareholder</b>	a Shareholder who is not an Eligible Shareholder.

<b>Lead Manager</b>	CPS Capital Group Pty Ltd (ACN 127 171 877).
<b>Listing Rules</b>	the listing rules of the ASX.
<b>New Options</b>	Options offered under this Prospectus.
<b>New Shares</b>	Shares offered under this Prospectus.
<b>Offer</b>	an Offer made under this Prospectus to subscribe for New Shares.
<b>Official List</b>	the official list of the ASX.
<b>Option</b>	an option to purchase a Share.
<b>Prospectus</b>	this Prospectus and includes the electronic prospectus.
<b>Record Date</b>	the date set out in section 1.
<b>Share</b>	a fully paid ordinary share in the Company.
<b>Share Registry</b>	Link Market Services Limited (ABN 54 083 214 537).
<b>Shareholder</b>	the registered holder of Shares in the Company.
<b>Shortfall Offer</b>	the offer of Shortfall Securities under this Prospectus.
<b>Shortfall Securities</b>	New Shares for which valid Applications have not been received by the Closing Date under the Offer.
<b>Underwriter or CPS Capital</b>	CPS Capital Group Pty Ltd (ACN 127 171 877).
<b>Underwriting Agreement</b>	the underwriting agreement between the Company and the Underwriter dated 7 June 2016.
<b>Underwritten Amount</b>	\$2,000,000.
<b>Underwritten Securities</b>	means 66,666,667 New Shares.
<b>Underwritten Shortfall Securities</b>	means Underwritten Securities for which valid Applications have not been received by the Closing Date under the Offer.
<b>US Person</b>	has the meaning given to that term in Regulation S under the US Securities Act.
<b>US Securities Act</b>	the <i>United States Securities Act of 1933</i> , as amended.

**13 UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	31 March 2016 consolidated management accounts	Capital raising fees	Funds received - Underwritten Amount	Funds received - Full Subscription Amount	Pro-forma - Underwritten Amount	Pro-forma - Full Subscription
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents	2,015,546	(191,195)	2,000,000	5,855,403	3,824,351	7,679,754
Trade and other receivables	448,486				448,486	448,486
Other current assets	88,333				88,333	88,333
<b>Total current assets</b>	<b>2,552,365</b>	<b>(191,195)</b>	<b>2,000,000</b>	<b>5,855,403</b>	<b>4,361,170</b>	<b>8,216,573</b>
<b>Non-current assets</b>						
Plant & equipment	78,240				78,240	78,240
Goodwill	4,962,948				4,962,948	4,962,948
<b>Total non-current assets</b>	<b>5,041,188</b>				<b>5,041,188</b>	<b>5,041,188</b>
<b>Total assets</b>	<b>7,593,553</b>	<b>(191,195)</b>	<b>2,000,000</b>	<b>5,855,403</b>	<b>9,402,358</b>	<b>13,257,761</b>
<b>Liabilities</b>						
<b>Current liabilities</b>						
Trade and other payables	473,191				473,191	473,191
Provisions	70,202				70,202	70,202
<b>Total current liabilities</b>	<b>543,393</b>				<b>543,393</b>	<b>543,393</b>
<b>Total liabilities</b>	<b>543,393</b>				<b>543,393</b>	<b>543,393</b>
<b>Net assets</b>	<b>7,050,160</b>	<b>(191,195)</b>	<b>2,000,000</b>	<b>5,855,403</b>	<b>8,858,965</b>	<b>12,714,368</b>
<b>Equity</b>						
Issued capital	23,316,830	(191,195)	2,000,000	5,855,403	25,125,635	28,981,038
Reserves	3,427,021				3,427,021	3,427,021
Accumulated losses	(19,693,691)				(19,693,691)	(19,693,691)
<b>Total equity</b>	<b>7,050,160</b>	<b>(191,195)</b>	<b>2,000,000</b>	<b>5,855,403</b>	<b>8,858,965</b>	<b>12,714,368</b>



[velpiclimited.com](http://velpiclimited.com)

[velpic.com](http://velpic.com)





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ACN 138 897 533

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 554 474
From outside Australia: +61 1300 554 474
ASX Code: VPC
Website: www.linkmarketservices.com.au

SRN/HIN:
Entitlement Number:
Subregister:
Number of Eligible Shares held as at the Record Date, 7:00pm (AEST) on 14 June 2016:
Entitlement to New Shares (on a 2 New Shares for 5 basis):
Amount payable on full acceptance at A\$0.03 per Share:

Offer Closes 5:00pm (AEST): 24 June 2016

ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 2 New Shares for every 5 Existing Shares at an issue price of A\$0.03 per New Share with 1 free attaching New Option (exercisable at A\$0.06 on or before 30 June 2018) for every 2 New Shares issued to raise up to A\$5.85 million before issue costs (Offer). You may also apply for New Shares in excess of your Entitlement, at the Offer Price. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Offer is being made under the Prospectus dated 7 June 2016. The Prospectus contains information about investing in the New Shares. Before applying for New Shares, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling Velpic Limited Company Secretary on +61 8 6555 2949.

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®. Payment must be received via BPAY® before 5:00pm (AEST) on 24 June 2016. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of Shares subject of your application payment.

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEST) on 24 June 2016.



Billers Code: 979732
Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au
Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form. If you do not take up or sell your rights, you may not receive any value for them. It is important that you decide whether to accept or sell your rights in accordance with the Prospectus.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.



Please detach and enclose with payment



SRN/HIN:
Entitlement Number:

Form with boxes A, B, and C for share counts. A: Number of New Shares accepted (being not more than your Entitlement shown above). B: Number of additional New Shares. C: Total number of New Shares accepted (add Boxes A and B). Includes a calculation grid: [ ] + [ ] = [ ]

D PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Velpic Limited” and crossed “Not Negotiable”.

Form with boxes for Drawer, Cheque Number, BSB Number, Account Number, and Amount of Cheque (A\$).

Form with boxes E for CONTACT DETAILS – Telephone Number, Telephone Number – After Hours, and Contact Name.

# VELPIC LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

## ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution of Velpic Limited.

## HOW TO APPLY FOR NEW SHARES

### 1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: [www.bpay.com.au](http://www.bpay.com.au)

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.03.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

### 2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

#### A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

#### B. Application for Additional New Shares

You can apply for more New Shares than your Entitlement. Please enter the number of **additional** New Shares above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares may not be successful (wholly or partially). The decision of Velpic Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

#### C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

#### D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Velpic Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Velpic Limited may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

#### E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

### 3. SALE OF YOUR ENTITLEMENT IN FULL OR IN PART BY YOUR STOCKBROKER AND ACCEPTANCE OF THE BALANCE

If you wish to sell all of your Rights through your stockbroker or if you wish to sell part of your Rights through your stockbroker and accept the balance you should contact your stockbroker and provide details as requested which appear overleaf.

You should complete the "Instructions to your Stockbroker" panel below and forward this Entitlement and Acceptance Form to your stockbroker.

#### Instructions to your Stockbroker

I/We have accepted	<input type="text"/>
	New Shares as per reverse side
And attach a cheque/bank draft for	A\$ <input type="text"/>
	being acceptance monies at A\$0.03 per New Share
I/We wish to sell	<input type="text"/>
	Rights to Ordinary Shares

### 4. DISPOSAL OF YOUR ENTITLEMENT OTHER THAN THROUGH A STOCKBROKER

A renunciation form must be used for all other transactions. These forms may be obtained from the Velpic Limited Registry or your stockbroker.

### 5. OVERSEAS SHAREHOLDERS

The Prospectus and Entitlement and Acceptance Form do not constitute an offer of securities in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue the Prospectus. By applying for New Shares under this Entitlement and Acceptance Form or by accepting this offer, you represent and warrant that applying for New Shares does not breach any law in any relevant overseas jurisdiction.

## 6. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address, or delivered by hand to the delivery address, set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

#### Mailing Address

Velpic Limited  
C/- Link Market Services Limited  
GPO Box 3560  
Sydney NSW 2001

#### Hand Delivery

Velpic Limited  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138 **(Please do not use this address for mailing purposes)**

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (AEST) on 24 June 2016. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Velpic Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

**If you require further information on how to complete this Entitlement and Acceptance Form, please contact Link Market Services on 1300 554 474 (within Australia) or +61 1300 554 474 (from outside Australia) between 8:30am and 5:30pm (AEST) Monday to Friday.**